

Her Majesty The Queen *Appellant*;

and

Alberta and Southern Gas Co. Ltd.

Respondent.

1978: November 10.

Present: Martland, Pigeon, Dickson, Beetz and Pratte JJ.

ON APPEAL FROM THE FEDERAL COURT OF APPEAL

Taxation — Income tax — Computation of income — Proceeds from sale of gas to associated company — “Carve-out” agreement — Company acquiring a “Canadian resource property” within meaning of s. 66 of Act — Claimed deduction not precluded by s. 245(1) — Income Tax Act, R.S.C. 1952, c. 148 as amended by 1970-71-72 (Can.), c. 63, ss. 12(1)(g), 59, 66 and 245(1).

APPEALS from two judgments of the Federal Court of Appeal¹, dismissing the appellant's companion appeals from a judgment of Cattanach J. in which he allowed the respondent's appeals in respect of income tax assessments for its 1972 and 1973 taxation years. Appeals dismissed.

J. A. Scollin, Q.C., and N. W. Nichols, for the appellant.

F. R. Matthews, Q.C., for the respondent.

The judgment of the Court was delivered orally by

MARTLAND J.—We have not been persuaded by the arguments of counsel for the appellant that there is error in the conclusions reached by the Federal Court of Appeal. The appeals are dismissed with costs.

Judgment accordingly.

Solicitor for the appellant: Roger Tassé, Ottawa.

Solicitors for the respondent: MacKimmie & Matthews, Calgary.

¹ [1978] 1 F.C. 454.